Jonathan Amos
Smarter Markets Team
Ofgem,
9 Millbank
London
SW1P 3GE

smartermarkets@ofgem.gov.uk

Reference Number: None
Date: 24th Dec 2013

Balancing and Settlement Code Modification Proposal 272 – draft impact assessment

Dear Jonathan,

SmartestEnergy welcomes the opportunity to comment on Ofgem's consultation on Balancing and Settlement Code Modification Proposal 272 – draft impact assessment

SmartestEnergy is a supplier in the half hourly electricity market and an aggregator of embedded generation. We have just entered the NHH retail market (group and corporate, not SME/Micro, sectors).

We are very positive about the proposed changes. Improved accuracy of settlement and greater incentivisation of load management are important developments for the industry.

We will have to change the Measurement Class of affected sites but this is a minor inconvenience compared with the advantages of having more customers on half hourly settlement.

Customers in the I&C and large corporate sectors of the market often have direct arrangements with meter operators and data collectors. We would encourage Ofgem and DECC to consider how these customers can be relieved of the obligation to install Smart meters after 2016 if they do not yet have contracts in place with a supplier to install AMR. There will be very little, if no time at all, for customers to react once DUoS costs have been levelised across the HH and NHH markets.

SmartestEnergy Ltd
T 020 7448 0900
F 020 7448 0987

www.smartestenergy.com

Registered Office:
Dashwood House
69 Old Broad Street
London EC2M 1QS

Registered in England & Wales: No.3994598

smartestenergy

We answer the questions in the consultation document in order below:

Question 1: Do you agree with our approach to assessing the impacts of P272?

Yes. It is true that there are less tangible and less easily quantifiable benefits which have not been included, but if the quantifiable elements are roughly cost neutral then it stands to reason that the less quantifiable benefits will tip the balance in favour of acceptance.

The carbon benefits and reducing the need to invest in new capacity are intuitively major contributions.

Question 2: Are there any additional, material impacts that we should consider?

No

Question 3: Do you agree that P272 would drive suppliers to encourage DSR among their customers?

SmartestEnergy already offers a 7-rate STOD to customers. We anticipate that moving customers to HH settlement and passing through the metering and DUoS costs will encourage greater take-up of more granular pricing.

Question 4: Do you agree with our approach for quantifying the value of load shifting and load reduction, including the assumptions we made? Is there any evidence we have not identified that could inform our analysis?

We agree with the approach for quantifying the value of load shifting and load reduction. The proportions of load destruction included in the load shifting are in our view reasonable and levels generally conservative.

Question 5: For those impacts stemming from suppliers reducing the costs of supplying energy (for example, by promoting DSR) that we did not quantify, do you have any suggestions on how we might do so?

Suppliers will not reduce costs per se. Customers will be incentivised to shift load and the benefit will be directly related to the customers' behaviour. It is not as if the supplier is passing on a benefit which the customer could not previously see.

Question 6: Do you agree with our approach to quantifying the value of improved forecasting, including the assumptions we made?

It is true that the costs of imbalance could increase for suppliers who continue to offer fixed tariffs to customers for whom they are settled half hourly. The important thing here is that P272 creates the incentive to manage energy more efficiently, and, as the document points out, removes an existing cross subsidy between those who can load manage and those who cannot.

Question 7: Could the costs of investing in forecasting capability for HH demand impact disproportionately on smaller suppliers or on new entrants?

For SmartestEnergy this would be business as usual. Any supplier in the non-domestic market should already have the ability to forecast HH demand.

Question 8: Do you agree that we have correctly identified the cost savings that suppliers could realise in managing the settlement process?

These are in line with the findings of the workgroup.

Question 9: Do you agree with our assumption regarding the typical size of data quality teams employed by suppliers?

We cannot comment on this.

Question 10: Do you agree that meters of consumers in Profile Classes 5-8 are mostly read at the end of each month?

Yes. This is certainly the case with all of our portfolio.

Question 11: Do you agree with our approach to quantifying the costs of P272 for suppliers and DNOs? If not, we encourage respondents to suggest alternative approaches.

SmartestEnergy Ltd
T 020 7448 0900
F 020 7448 0987

www.smartestenergy.com

Registered Office:
Dashwood House
69 Old Broad Street
London EC2M 1QS

Registered in England & Wales: No.3994598

Yes we agree with the approach

Question 12: We welcome evidence from smaller suppliers of larger non-domestic consumers on the costs they could incur if P272 is implemented.

There should be no additional costs associated with a Change of Measurement Class (COMC), save for staff time. However, preparing for this on a bulk approach would incur some system costs. We think it is preferable that this can be managed manually over a period of time (say the whole of Q1 2015) and we anticipate this being developed as the modification moves into implementation phase with Elexon.

Question 13: We welcome information from suppliers on (1) how many consumers would need to move electively for them to incur upfront costs and (2) the costs that would be incurred, broken down by the cost categories listed in this chapter.

We currently have a portfolio in the hundreds of PC5-8 sites. We think that the costs could be in the region of £10,000 including both IT changes and/or an IT solution. This is probably around the tipping point at which an IT solution would be used. However, the process would need to be managed quite manually anyway since the Measurement Class, Profile Class and Line Loss Factor would need to be reviewed as part of the process.

Question 14: Would consumers incur costs from termination of contracts with Supplier Agents? If so, we welcome information that could help us to assess these costs.

We have no insight into the nature of contracts customers have direct with agents. We may incur some costs for termination but we anticipate rolling this up with a renegotiation of a Cop10 HH managed contract.

Question 15: Do you have any comments on the results of our quantitative analysis?

No

SmartestEnergy Ltd
T 020 7448 0900
F 020 7448 0987

Registered Office:
Dashwood House
69 Old Broad Street
London EC2M 1QS

www.smartestenergy.com

Registered in England & Wales: No.3994598

Question 16: If P272 is approved, would it be possible to implement the modification in less than fourteen months?

> We anticipate that it will take time to engage with PC5-8 customers so that they understand the nature of how charges will change for them. Then there is the period required for planning transfer of CoMC which needs to be considered. We therefore would not recommend bringing forward the implementation date from April 2015.

If you have any questions, please do not hesitate to contact me.

Please note that our response is not confidential.

Yours sincerely,

Colin Prestwich
Head of Regulatory Affairs
SmartestEnergy Limited.

T: 01473 234107
M: 07764 949374